GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2009
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MELTDOWN DUE TO SEBI ANNOUNCEMENT ON PN
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Will the Minister of FINANCE be pleased to state:

(a) whether the announcement made by the Securities and Exchange Board of India (SEBI) regulating foreign investments through participatory notes had caused a meltdown in the stock market as reported in The Hindu dated October 26, 2007;

(b) if so, the details thereof; and

(c) the reasons for such delayed announcement by SEBI?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c): The movement in stock market indices is a function of the perceptions of investors − domestic and overseas, retail and institutional − about the economy, the sector and the company. This perception is influenced by many factors including the macro-economic environment, growth potential of the economy, corporate performance, domestic and international events, and market sentiments. It is, therefore, difficult to attribute market movement to a particular development. However, following the announcement of the policy initiative relating to issue of off-shore derivative instruments by FIIs on 16th October, 2007, the indices moved down by 10% in the early market hours of 17th October, 2007. However, as the intent of proposed initiative was clarified, the markets recovered and Sensex closed at 18715.82, down by 1.76% from the previous day's close.